

CITY OF HAYWARD

AGENDA REPORT

AGENDA DATE 07/17/01

AGENDA ITEM 10

WORK SESSION ITEM

TO: Mayor and City Council

FROM: Director of Community and Economic Development

SUBJECT: Issuance of Mortgage Revenue Bonds to Finance the Purchase and Rehabilitation of Tennyson Gardens

RECOMMENDATION:

It is recommended that the City Council:

- Issue \$6,450,000 in mortgage revenue bonds to assist in the acquisition and rehabilitation of the Tennyson Gardens apartments;
- Authorize the City Manager to execute all other implementing documents in connection with the proposed issuance.

BACKGROUND:

On January 23, 2001, Council adopted a resolution of intent to issue mortgage revenue bonds and authorized the City Manager to execute an \$800,000 loan of HOME funds for the purchase and rehabilitation of the Tennyson Gardens Apartments. As Council is aware, the Tennyson Gardens is a 96-unit development located at 981 West Tennyson Road. It was constructed in 1971 and is comprised of four three-story residential buildings with a total of 96 units.

TRI Capital, a San Francisco investment real estate brokerage firm and Jamboree Housing, Inc., a 501(c)(3) non-profit housing developer from Orange County, have formed Tennyson Preservation Limited Partnership (TP Limited) to acquire, rehabilitate and manage Tennyson Gardens. The total cost for purchase and rehabilitation of the project is approximately \$8.9 million. This includes \$6.9 million for acquisition and the remainder for rehabilitation and financing costs. TP Limited has requested that the City issue \$7 million in multifamily mortgage revenue bonds to pay for the acquisition and rehabilitation of the complex. Additional financing will be from the syndication of Federal Low-Income Housing Tax Credits.

After the previous Council action, TP Limited sought and was successful in obtaining an allocation of mortgage revenue bonds from the California Debt Allocation Committee. Tonight, they are requesting that Council approve issuance of those bonds.

In order to obtain federal Low Income Tax Credits for the project, TP Limited will rent to households whose income is at or below 60% of median. (Households at 60% of median have an annual income of \$36,500 for a household of three.) According to the rent roll, almost all current tenants are at this level of income or below. Also, TP Limited has been working with the Alameda County Housing Authority and has been deemed eligible to obtain Section 8 rental assistance for all tenants. If there are any tenants whose incomes are over the limit when TP Limited acquires the property, TP Limited and City staff will coordinate with ECHO and Eden Information and Referral to make services available to those tenants. TP Limited has proposed providing \$5,000 in relocation assistance to each household that exceeds the income limit.

As described in the previous agenda report, TP Limited has chosen to restrict occupancy of all units to households whose incomes are at or below 60% of the area median for a period of fifty-five years. In exchange for the City issuing the bonds and making the loan, TP Limited will enter into a Regulatory Agreement with the City. This Agreement will stipulate that, for a period of fifty-five years, 66 units will be affordable to families earning no more than 60% of the area median income and 28 units will be affordable to families earning no more than 50% of the area median income. Two units will be occupied by the resident managers.

For the next fifty-five years, the percentage increase in rents allowed for this project will be equal to the percentage increase in HUD median incomes. Over the past five years, that increase has been approximately four percent per year, considerably lower than the annual increase in market rents throughout Hayward and the East Bay.

Proposed Rehabilitation

Federal tax law requires that at least fifteen percent (15%) of the bond proceeds for the acquisition and rehabilitation of existing rental projects be set aside for the costs of rehabilitation. In this instance, at least 32% of the bond proceeds will be used to rehabilitate the development.

Because the development has been poorly maintained, there will be both interior and exterior rehabilitation. The proposed building rehabilitation will include, but not be limited to: repairing siding and repainting buildings, repairing roofs, repairing bridge walkways between buildings, repairing and upgrading building elevators, replacing damaged drywall, refurbishing unit interiors and replacing appliances. In addition, TP Limited will install a children's play area with new play equipment and refurbish the Community Room for the provision of services to residents, including a homework club for school age children. The Regulatory Agreement and the Loan Agreement will specifically require TP Limited to maintain Tennyson Gardens in substantially the same rehabilitated condition during the term of the fifty-five year agreement. City staff monitor mortgage bond-financed projects annually. As a part of the monitoring activities staff will conduct an inspection of the property to ensure compliance with the maintenance requirements.

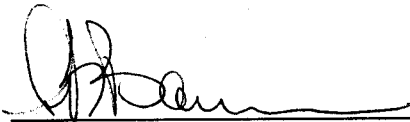
In addition to upgrading the physical structure, TP Limited is proposing to significantly upgrade the development's property management and maintenance. Currently, there appears to be one onsite property manager and one onsite maintenance worker. At a minimum, property management and maintenance staff will be doubled.

Also, TP Limited will provide such needed tenant services as information and referral to health, employment, and training activities. They will also be responsible for providing workshops on-site covering a wide range of topics. Subjects include, but are not limited to: budgeting, financial planning, parenting, stranger-danger, community safety and health education programs. They will work with community organizations and agencies to ensure that there are after-school programs, including youth leadership and enrichment programs for Tennyson Garden's residents.

Staff recommends that Council adopt the resolution, authorizing the sale of bonds for this project. The appearance of the development will be improved, the apartments will be upgraded, the tenant amenities will be substantially upgraded, and property management, maintenance and tenant safety will be significantly improved.

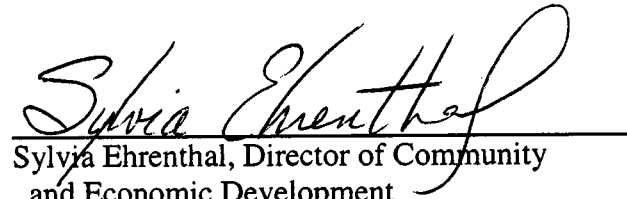
Staff has inspected this complex and has researched TP Limited's capacity to complete the project. Based on TP Limited's work on similar projects in other jurisdictions, staff has determined that TP Limited has the ability to carry out the rehabilitation and manage and maintain the project so that it will be an asset to the City.

Prepared by:



Ann R. Bauman, Neighborhood and Economic
Development Manager

Recommended by:



Sylvia Ehrenthal, Director of Community
and Economic Development

Approved by:



Jesús Armas, City Manager

Attachment: Resolution

DRAFT

HAYWARD CITY COUNCIL
RESOLUTION NO. _____

Introduced by Council member _____

RESOLUTION OF THE CITY OF HAYWARD
AUTHORIZING THE ISSUANCE, SALE AND DELIVERY
OF CITY OF HAYWARD VARIABLE RATE DEMAND
MULTIFAMILY HOUSING REVENUE BONDS (TENNYSON
GARDENS APARTMENTS) 2001 SERIES A, AUTHORIZING
THE EXECUTION AND DELIVERY OF AN INDENTURE
OF TRUST, A LOAN AGREEMENT, A REGULATORY
AGREEMENT, AN OFFICIAL STATEMENT, AND A
PURCHASE CONTRACT, AND AUTHORIZING THE
EXECUTION AND DELIVERY OF AND APPROVING
OTHER RELATED DOCUMENTS AND APPROVING
OTHER RELATED ACTIONS IN CONNECTION
THEREWITH

WHEREAS, Chapter 7 of Part 5 of Division 31 of the Health and Safety Code of the State of California (the "Act"), authorizes cities to incur indebtedness for the purpose of financing the acquisition, rehabilitation and development of multifamily rental housing facilities to be occupied in part by persons of low and very low income;

WHEREAS, the City of Hayward (the "City") hereby finds and declares that it is necessary, essential and a public purpose for the City to engage in a program (the "Program") of financing the acquisition, rehabilitation and development of multifamily rental housing facilities, and has determined to borrow money for such purpose by the issuance of revenue bonds as authorized by the Act;

WHEREAS, the City hereby finds and declares that this resolution is being adopted pursuant to the powers granted by the Act;

WHEREAS, Tennyson Preservation Limited Partnership, a California limited partnership, (the "Borrower") has requested that the City issue and sell the Bonds (hereinafter defined) for the purpose of financing the acquisition, rehabilitation and development of a multifamily rental housing project commonly known as Tennyson Gardens Apartments, located at 981 West Tennyson Road, Hayward, California, (the "Project"); and

WHEREAS, all conditions, things and acts required to exist, to have happened and to have been performed precedent to and in the issuance of the Bonds and the implementation of the Program as contemplated by this resolution and the documents referred to herein exist, have happened and have been performed in due time, form and manner as required by the laws of the State of California, including the Act.

NOW, THEREFORE, BE IT RESOLVED:

Section 1. The City hereby finds and declares that the above recitals are true and correct.

Section 2. Pursuant to the Act and the Indenture (hereinafter defined), revenue bonds of the City, designated as "City of Hayward Variable Rate Demand Multifamily Housing Revenue Bonds (Tennyson Gardens Apartments) 2001 Series A" in an aggregate principal amount not to exceed \$6,450,000 (the "Bonds"), are hereby authorized to be issued. The Bonds shall be executed by the manual or facsimile signature of the Mayor of the City, and attested by the manual or facsimile signature of the City Clerk of the City, in the form set forth in and otherwise in accordance with the Indenture.

Section 3. The indenture of trust with respect to the Bonds (the "Indenture") between the City and U.S. Bank Trust National Association, as trustee (the "Trustee"), in the form on file with the office of the City Clerk, is hereby approved. The Mayor and the City Manager (the "Designated Officers") are, and each of them acting alone is, hereby authorized and directed, for and in the name and on behalf of the City, to execute and deliver the Indenture, and the City Clerk is hereby authorized and directed, for and in the name and on behalf of the City, to attest the Designated Officer's signature on the Indenture, in substantially said form, with such additions thereto or changes therein as are recommended or approved by such officers upon consultation with bond counsel to the City, including such additions or changes as are necessary or advisable in accordance with Section 9 hereof (provided that no additions or changes shall authorize an aggregate principal amount of Bonds in excess of \$6,450,000), the approval of such additions or changes to be conclusively evidenced by the execution and delivery by the City of the Indenture. The date, maturity dates, interest rate or rates, interest payment dates, denominations, form registration privileges, manner of execution, place of payment, terms of redemption, the right of the owners of the Bonds to tender their Bonds for repurchase, and other terms of the Bonds shall be as provided in the Indenture as finally executed.

Section 4. The loan agreement relating to the Bonds (the "Loan Agreement") among the Trustee, the City and the Borrower, in the form on file with the office of the City Clerk, is hereby approved. The Designated Officers of the City are, and each of them acting alone is, hereby authorized and directed, for and in the name and on behalf of the City, to execute and deliver the Loan Agreement in said form, with such additions thereto or changes therein as are recommended or approved by such officers upon consultation with bond counsel to the City including such additions or changes as are necessary or advisable in accordance with Section 9 hereof, the approval of such additions or changes to be conclusively evidenced by the execution and delivery by the City of the Loan Agreement.

Section 5. The regulatory agreement and declaration of restrictive covenants relating to the Bonds (the "Regulatory Agreement") among the City, the Trustee and the Borrower, in the form on file with the office of the City Clerk, is hereby approved. The

Designated Officers of the City are, and each of them acting alone is, hereby authorized and directed for and in the name of and on behalf of the City, to execute and deliver the Regulatory Agreement in said form, with such additions thereto or changes therein as are recommended or approved by such officers upon consultation with bond counsel to the City including such additions or changes as are necessary or advisable in accordance with Section 9 hereof, the approval of such changes to be conclusively evidenced by the execution and delivery by the City of such Regulatory Agreement.

Section 6. The bond purchase agreement (the "Purchase Contract") relating to the Bonds among the City, the Borrower and U.S. Bancorp Piper Jaffray (the "Underwriter"), in the form on file with the office of the City Clerk, is hereby approved. The Designated Officers of the City are, and each of them acting alone is, hereby authorized and directed, for and in the name and on behalf of the City, to accept the offer of the Underwriter to purchase the Bonds contained in the Purchase Contract (when such offer is made and if such offer is consistent with Section 3 hereof) and to execute and deliver said Purchase Contract in said form, with such additions thereto or changes therein as are recommended or approved by such officers upon consultation with bond counsel to the City, the approval of such additions or changes to be conclusively evidenced by the execution and delivery by the City of the Purchase Contract.

Section 7. The preliminary official statement relating to the Bonds (the "Preliminary Official Statement") in the form on file with the office of the City Clerk, is hereby approved. The Designated Officers are, and each of them acting alone is, hereby authorized and directed, for and in the name and on behalf of the City, to bring to final form the Preliminary Official Statement (the "Official Statement") upon sale of the Bonds and to execute the Official Statement in said form, with such additions thereto or changes therein as are recommended or approved by such officers upon consultation with bond counsel to the City, the approval of such additions or changes to be conclusively evidenced by the execution and delivery by the City of the Official Statement. The Underwriter is hereby authorized to distribute copies of the Preliminary Official Statement to persons who may be interested in the purchase of the Bonds and is directed to deliver copies of the Official Statement to all actual purchasers of the Bonds.

Section 8. The Bonds, when executed, shall be delivered to the Trustee for authentication. The Trustee is hereby requested and directed to authenticate the Bonds by executing the Trustee's certificate of authentication and registration appearing thereon, and to deliver the Bonds, when duly executed and authenticated, to the purchasers thereof in accordance with written instructions executed on behalf of the City by one of the Designated Officers, which instructions such officers are, and each of them is, hereby authorized and directed, for and in the name and on behalf of the City, to execute and deliver to the Trustee. Such instructions shall provide for the delivery of the Bonds to the purchasers thereof in accordance with the Purchase Contract, upon payment of the purchase price therefor.

Section 9. All actions heretofore taken by the officers and agents of the City with respect to the establishment of the Program and the sale and issuance of the Bonds are hereby approved, confirmed and ratified, and the proper officers of the City, including the Designated Officers, are hereby authorized and directed, for and in the name and on behalf of the City, to do any and all things and take any and all actions and execute and deliver any and all certificates, agreements and other documents which they, or any of them, may deem necessary or advisable in order to consummate the lawful issuance and delivery of the Bonds in accordance with this Resolution and resolutions heretofore adopted by the City and in order to carry out the Program, including but not limited to those certificates, agreements, deeds of trust and other documents described in the Indenture, the Loan Agreement, the Regulatory Agreement, the Purchase Contract and the other documents herein approved and any certificates, agreements or documents as may be necessary to further the purpose hereof, evidence credit support or additional security for the Bonds, or evidence the obligation to purchase Bonds upon tender by the Bondholders (including a tender agent agreement or an intercreditor agreement), but which shall not create any obligation or liability of the City other than with respect to the revenues and assets derived from the proceeds of the Bonds.

Section 10. This resolution shall take effect immediately upon its adoption.

IN COUNCIL, HAYWARD, CALIFORNIA _____, 2001.

ADOPTED BY THE FOLLOWING VOTE:

AYES:

NOES:

ABSTAIN:

ABSENT:

ATTEST: _____
City Clerk of the City of Hayward

APPROVED AS TO FORM:

City Attorney of the City of Hayward